

Please note the following message from University of California President Robert Dynes:

Sept. 22, 2005

MEMBERS OF THE LOS ALAMOS NATIONAL LABORATORY COMMUNITY

Dear Colleagues:

With summer now behind us, I wanted to write to you about several issues of concern to all of us, including the upcoming open enrollment period; the recent presentation of Los Alamos National Security (LANS), LLC to the Department of Energy's Source Evaluation Board regarding our team's proposal for the future management of the Los Alamos National Laboratory (LANL); and the status of the competition.

The most immediate issue is Open Enrollment, which is set to begin on November 1. As in the past, you will have the opportunity to make changes to the health and welfare benefits you receive as a UC/LANL employee. There is good news on the healthcare front. While healthcare costs continue to rise around the country, UC is working to negotiate the best possible medical plan rates for all of our employees.

As Open Enrollment comes to an end, we expect that the Department of Energy (DOE) will make or be close to a final decision regarding the future management of the Los Alamos National Laboratory. This decision will not have any immediate impact on your current benefits or on the decisions you need to make during the Open Enrollment period. As a UC/LANL employee, your current benefits, including those that you choose or alter during Open Enrollment, will continue through May 31, 2006. We are working with our healthcare providers to have an option, if NNSA and the new contractor concur, of assigning these contracts to the new contractor to avoid additional changes during the year.

I know that this period of transition is stressful and that there are many more questions than there are answers at this point. But let me assure you that the University is in the process of preparations for transition and will be prepared to provide answers to questions as soon as events permit. For example, today an employee can use online tools to calculate existing accrued pension benefits. After an announcement is made regarding who has been awarded the contract, the University will initiate additional communications programs to give employees the most current information available and to assist employees in making important decisions regarding their future.

I am sure each of you is very interested in our role in the competition for the management of LANL. The University chose to join with the best in the nuclear industry for this competition, and we are an active member of LANS. The LANS oral presentation before the DOE Source Evaluation Board two weeks ago went very well. Led by LANS President Michael Anastasio, our team described how Bechtel National, BWXT,

Washington Group International, and the New Mexico universities (led by President Louis Caldera) have come together with the University to offer Los Alamos the best scientific and management expertise and resources in the country. We made the case that the LANS partners have substantial relevant experience and a proven record of accomplishment and accountability, as well as the focus to prepare LANL for the demands of tomorrow's world. As you may know, the Department of Energy expects to announce its decision on or before December 1, 2005.

While the LANS, LLC team looks forward to sharing details of the proposal, it is still premature to do so. But let me tell you a little about what you, as employees, should expect in the months ahead.

Whether the Department of Energy chooses the LANS, LLC team or another competitor, the University will work with you, the future contractor, and the Department of Energy to ensure as seamless a transition as possible with minimal impact to you, your families, and the work at the Laboratory. If, as we hope, the LANS, LLC team is successful in the competition, I am very confident that the transition will be as seamless as it could possibly be, given our knowledge and insight as to the benefits that are currently provided to you.

Let me make a final comment about benefits. As the University has said in the past, and I know from the commitment I have received from our LANS partners, ***we are committed to offering a compensation and benefits package that ensures our ability to retain and recruit the best scientific and technical minds, promoting a laboratory workforce of the highest quality.*** I would like to reiterate that it is the objective of our competition team, as endorsed by the Regents in many of our meetings, that should our proposal be accepted that the pension program for transferring employees mirror UCRP as much as the law permits a non-governmental employer to do so, and that benefits for new employees be attractive as well.

Thank you for your patience and your commitment to the great work of the Los Alamos National Laboratory. As I indicated, I will provide you with more information as decisions are made by DOE.

Sincerely,

Robert C. Dynes